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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001419

SIPDIS

E.O. 12958: DECL: 09/30/2018

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SUBJECT: DPP LEADERS ON STALLED ARMS SALE AND CHEN YUNLIN VISIT

REF: TAIPEI 1413

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: President Ma's cross-Strait policy conveyed the false impression of reduced tensions and thereby weakened U.S. support for arms sales, DPP Chair Tsai Ing-wen told the Director during a September 30 meeting. Tsai also hinted of protests during ARATS head Chen Yun-lin upcoming visit to Taiwan. Though keen in the past to stay mum on the fate of former President Chen, Tsai acknowledged that a senior DPP official urged Chen to resign from the party. Tsai also discussed her intent to announce candidates for 2009 county-level elections by the end of this year. End Summary.

Ma, KMT Responsible for Delay on Arms Package

12. (C) DPP Chair Tsai Ing-wen pressed the Director for details on the status of a package of arms transfers now under USG consideration during their September 30 meeting. There was a process for handling these requests, the Director explained, which had not yet been completed. He noted that the Congress had not gone into recess on September 26, as originally scheduled, but declined to speculate about the prospects that notification would be made before the U.S. elections. Tsai suggested that Ma's bid to improve cross-Strait ties had created a "false image" of decreased tensions, providing an "excuse" for U.S. inaction. Longer term, Tsai argued, the inability to conclude the deal was due to stalling by KMT legislators during former President Chen's tenure.

Timing Bad for ARATS Visit, Protests Certain

13. (C) A string of bad news made the proposed timing of the visit by ARATS head Chen Yunlin ill-advised, Tsai said. Taiwan's media and people were obsessed with the scandal surrounding the importation from China of tainted dairy products, and it was difficult to imagine the PRC taking the steps needed to assuage public anger. China needed to do more than issue a pro forma apology, Tsai said. The uncertain status of the U.S. arms sale also made it a bad time for an ARATS-SEF meeting, as did the recent comment by a senior Ma advisor that Taiwan might consider a Hong Kong-style CEPA (Closer Economic Partnership Agreement).

Both of these issues hit at public concern about threats to Taiwan's sovereignty, and ensured that many people would protest the visit. Despite overwhelming general dissatisfaction with Ma's leadership (reftel), Tsai explained she was still urging DPP supporters to remain patient. However, as things now stood, it would be difficult for the DPP to not take part in protests.

14. (C) In a separate September 30 meeting, long-time DPP member and former Vice Premier Yeh Chu-lan told the Director that many in the DPP were shocked by Ma's inept performance in his first four months in office. While those who knew Ma when he was Taipei Mayor expected him to handle domestic issues poorly, she said, they had expected more from him on foreign policy and cross-Straits issues. Though some of Taiwan's economic woes were linked to international financial problems, she added, Ma's efforts to curry PRC favor were completely of his doing and could have long-term implications for Taiwan's sovereignty. The Director noted that the United States supported efforts to reduce cross-Straits tensions and normalize economic and commercial relations.

15. (C) Both Tsai and Yeh emphasized that they did not want Taiwan to have an unstable government, despite Ma's failings. During her recent trip to the United States, Tsai said, DPP supporters, like their counterparts in Taiwan, were unhappy with Ma and anxious about the current political situation. In her meetings both in the United States and in Taiwan, Tsai said, she emphasized the importance of stability. Instability would only weaken Taiwan, Tsai warned, and open the door for China. For example, the DPP had not taken a

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position on whether Premier Liu should resign. As a practical matter, Tsai suggested, Ma would have a hard time finding someone else whom he trusts and who would be acceptable to KMT power brokers such as Wang Jin-pyng and Wu Po-hsiung.

DPP Dynamics: Senior Member Showed CSB the Door

16. (C) Tsai, who has purposely distanced herself from the Chen Shui-bian scandal and has said little in public or in previous meetings with AIT, offered insights on Chen and his status within the DPP. Asked whether Chen decided to resign from the DPP or was encouraged to do so, Tsai explained that she did not ask Chen directly. Instead, she asked a senior DPP member to reach out to Chen to urge him to quit the DPP for the good of the party. Chen's subsequent efforts to rally public support for himself were motivated largely by his legal considerations and had not hurt the DPP. While the DPP was content to leave the process to the judicial system, she cautioned that the DPP would have to reconsider if the process were to be politicized.

17. (C) Tsai noted party elders, specifically Annette Lu, Su Tseng-chang, Yu Shyi-kun, and Frank Hsieh, were laying low to avoid being dragged into the Chen scandal but probably have not ruled out returning to the political spotlight. When asked whether she had the support of party elders, Tsai at first said she did not have close contact with them but added Frank Hsieh voiced his support for her during a recent phone call. In response to the Director's query on DPP preparations for county-level elections in late 2009, Tsai said the party hoped to nominate candidates by the end of this December, if not sooner. The Director raised the rumor that Tsai would run for the Taipei County seat, to which Tsai smiled and responded, "nothing is impossible."

18. (C) Yeh offered a candid assessment of Tsai's performance as DPP Chair. After noting that the selection of someone outside of the DPP's original founding core was essential following the party's resounding loss in the March elections, Yeh said Tsai faced serious difficulties. In particular, Tsai's urban, elitist style was a stark contrast to the more

rough-and-tumble nature of the DPP's grassroots. While Tsai's call to return the party to the spirit of its founders was a good one, Tsai herself did not represent that spirit well. Bureaucratically, Yeh added, the DPP Central Committee had a powerful role under the party constitution, and that body was dominated by the old guard.

19. (C) Comment: Clearly, Ma's early troubles offer both opportunities and challenges for the DPP, as it tries to revive itself following the resounding election defeats of last winter. With no elections until the end of 2009, Tsai has to decide how much effort to put into rejuvenating the party, as opposed to shifting focus onto a party assault on Ma's record this early in the game.
YOUNG